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# 2008 Tax Updates

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*Utah State Tax Commission*

This tax update will give a basic overview of the changes for the 2008 filing season.

# Table of Contents

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You may want to have a 2008 Individual Income Tax book as you go through this tutorial.

The update is designed to go through the following topics in order. You may also click a topic to go straight to that section:

- Resources
- Individual Income Tax
- Electronic
- Interest and Penalties

# Online Resources

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The following sites are provided for convenience in finding information.

<b>Tax Practitioner Information</b>	<a href="http://tax.utah.gov/taxpros">tax.utah.gov/taxpros</a>
<b>Forms and Publications</b>	<a href="http://tax.utah.gov/forms">tax.utah.gov/forms</a>
<b>Individual Income Tax</b>	<a href="http://incometax.utah.gov">incometax.utah.gov</a>
<b>Corporate Tax</b>	<a href="http://tax.utah.gov/corporate">tax.utah.gov/corporate</a>
<b>Sales Tax</b>	<a href="http://tax.utah.gov/sales">tax.utah.gov/sales</a>
<b>Withholding Tax</b>	<a href="http://tax.utah.gov/withholding">tax.utah.gov/withholding</a>
<b>Tax Instruction/Training</b>	<a href="http://tax.utah.gov/training">tax.utah.gov/training</a>
<b>Legislative Updates</b>	<a href="http://tax.utah.gov/research/legislation.html">tax.utah.gov/research/legislation.html</a>
<b>Draft Forms and Publications</b>	<a href="http://tax.utah.gov/forms/finals/release.html">tax.utah.gov/forms/finals/release.html</a>

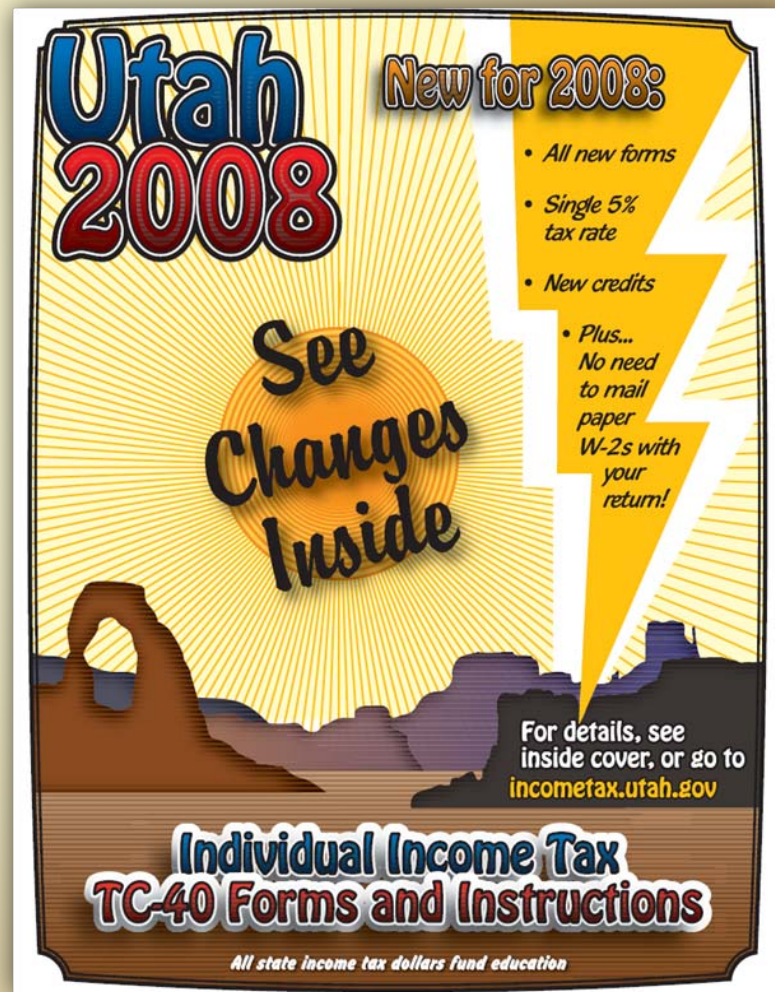
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# Individual Income Tax

# Income Tax

There were three legislative sessions that changed the 2008 Individual Income Tax return (TC-40):

- SB 4001 (2006 4<sup>th</sup> Special Session)
- SB 223 (2007 General Session)
- HB 359 (2008 General Session)





# Income Tax

The forms have been re-organized this year. This was done to streamline processes.

This Year	Name	Last Year
TC-40A	Supplemental schedule	TC-40S
TC-40B	Non- or part-year resident	TC-40C
TC-40C	Retirement credit	TC-40B
TC-40S	Income tax paid to another state	TC-40A

There is also a new form this year—the TC-40W, *Utah Withholding Tax Schedule*. It will be discussed later in this tutorial.

Let's start by going through the return.

# Income Tax

## Filing Status ♦ Exemptions ♦ Election Campaign Fund

The first three boxes on the return have changed:

- Box 1—the filing status order now matches the federal form.
- Box 2—the disabled dependent exemption was repealed.
- Box 3—the Libertarian party was added to the election campaign fund.

Filing status order  
changed to match federal

Disabled dependent  
exemption repealed

Libertarian party added

<b>1. Filing status - enter code (page 4)</b>  CODE 1 - Single 2 - Married filing jointly 3 - Married filing separately 4 - Head of household 5 - Qualifying widow(er)  If using code 2 or 3, enter spouse's name and social security number above  Enter code here <input type="checkbox"/>	<b>2. Exemptions - enter number (page 4)</b>  a <input type="checkbox"/> Yourself b <input type="checkbox"/> Spouse c <input type="checkbox"/> <input type="checkbox"/> Dependents d <input type="checkbox"/> <input type="checkbox"/> Total exemptions (add a through c)  From federal return	<b>3. Election campaign fund - enter code (page 4)</b>  CODE C - Constitution D - Democratic L - Libertarian R - Republican N - No contribution  Yourself <input type="checkbox"/> Spouse <input type="checkbox"/>  Entering a code does not increase your tax or reduce your refund.
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# Income Tax

## Single Rate Tax

Last year income tax was calculated using both the traditional and single rate methods. The taxpayer paid the lesser of those taxes.

This year the dual tax system is gone and the single rate is 5% of Utah taxable income rather than the 5.35% used last year.

40081 [Redacted]  
9999  
Your Social Security number [Redacted]  
Spouse's Social Security number [Redacted]  
Your first name [Redacted] Last name [Redacted]  
Spouse's first name [Redacted] Last name [Redacted]  
Mailing address [Redacted] Telephone number [Redacted]  
City [Redacted] State [Redacted] ZIP code [Redacted] Foreign country (if not U.S.) [Redacted]  
Social Security Numbers Required  
1. Filing status - enter code (page 4)  
code  
1 - Single  
2 - Married filing jointly  
3 - Married filing separately  
4 - Head of household  
5 - Qualifying widow(er)  
2. Exemptions - enter number (page 4)  
a. Yourself  
b. Spouse  
c. Dependents  
d. Total exemptions (add a through c)  
3. Election campaign fund - enter code (page 4)  
code  
C - Constitution  
D - Democratic  
L - Libertarian  
R - Republican  
N - No contribution  
4. Federal adjusted gross income from federal return (see instructions on page 5)  
5. Additions to income from TC-40A, Part 1 (page 5) (must attach TC-40A)  
6. Total income (add lines 4 and 5)  
7. Deductions from income from TC-40A, Part 2 (page 5) (must attach TC-40A)  
8. Utah taxable income (subtract line 7 from line 6) (if less than zero enter zero) (page 5)  
9. Enter "X" if you are a qualified exempt taxpayer (page 10)  
10. TAX CALCULATION: Multiply line 8 by .05 (5%)  
11. Multiply line 8 by .05 (5%)  
12. Enter your federal standard or itemized deductions (see page 77)  
13. Add line 11 and line 12  
14. State income tax deducted, as an itemized deduction on federal form 1040, Schedule A, line 5 (page 5)  
15. Subtract line 14 from line 13  
16. Multiply line 15 by .06 (6%)  
17. Enter: \$12,000 - if single or married filing separately  
\$18,000 - if head of household  
\$24,000 - if married filing jointly or qualifying widow(er)  
18. Subtract line 17 from line 16, if less than zero, enter "0"  
19. Multiply line 18 by .03 (3%)  
20. Taxpayer tax credit (subtract line 19 from line 16) (if less than zero, enter "0")  
21. Utah income tax (subtract line 20 from line 19) (if less than zero, enter "0")  
22. Applicable nonrefundable credits from TC-40A, Part 3 (page 10) (must attach TC-40A)  
23. Subtract line 22 from line 21 (Note: if line 22 is greater than or equal to line 21, enter "0")  
Non-Resident Taxpayers: complete TC-40B before continuing on page 2



## Single Rate Calculation

- Line 4—Enter the federal adjusted gross income.
- Line 5—Enter any additions to income from the TC-40A, Part 1.
- Line 6—Add lines 4 and 5.
- Line 7—Enter the deductions from income from the TC-40A, Part 2.
- Line 8—Subtract line 7 from line 6 and enter the difference on line 8. This is the **Utah taxable income**.
- Line 9—Only used by qualified exempt taxpayers.
- Line 10—Multiply the amount on line 8 by 5 percent to get the **single rate tax**.

# Income Tax

## *New Taxpayer Tax Credit*

This year there is also a new Taxpayer Tax Credit to compensate for some of the repealed items. This credit is:

- 6% of the Utah Exemptions plus the federal standard or itemized deductions
  - (minus state tax deducted on Schedule A)

The credit is subject to a phase out of 1.3% on income over:

- \$12,000     Single and Married Filing Separately
- \$18,000     Head of Household
- \$24,000     Married Filing Jointly and Qualifying Widow(er)

# Income Tax

## Taxpayer Tax Credit Calculation

The taxpayer tax credit is calculated on lines 11-16.

Exemption calculation (75% of federal)	11. Multiply \$2,625 by line 2d above (if line 4 over \$119,975, see page 7)	11								.00
	12. Enter your <b>federal standard</b> or <b>itemized deductions</b> (see page 8)	12								.00
	13. Add line 11 and line 12	13								.00
Increased to : <ul style="list-style-type: none"><li>• \$5,450 Single &amp; MFS</li><li>• \$10,900 MFJ</li><li>• \$8,000 H of H</li></ul>	14. State income tax deducted as an <b>itemized deduction</b> on federal form 1040, Schedule A, line 5 (page 8)	14								.00
	15. Subtract line 14 from line 13	15								.00
	16. Multiply line 15 by .06 (6%)	16								.00

Initial taxpayer credit amount

- Line 11—Multiply the number of exemptions on line 2d by \$2,625 (the Utah exemption amount this year).
- Line 12—Enter either the federal standard or itemized deductions.
- Line 13—Add lines 11 and 12.
- Line 14—If the taxpayer itemized and had state income tax deducted on the federal Schedule A line 5, enter that amount.
- Line 15—Subtract line 14 from line 13 and enter the difference.
- Line 16—Multiply the amount on line 15 by 6 percent to get the **initial taxpayer tax credit**.

## Taxpayer Credit Phase-out

# Income Tax

## Nonrefundable Credits

This year the nonrefundable credits have been split into two types:

- *Apportionable* for non- and part-year residents
  - Full credit is allowed for full-year residents
- *Nonapportionable* allowed regardless of residency status

22. Apportionable nonrefundable credits from TC-40A, Part 3 (page 8) (must attach TC-40A)		● 22	<div><div></div><div></div></div> ,	<div><div></div><div></div></div> ,	<div><div></div><div></div></div> .	<div><div></div><div></div></div> .00
23. Subtract line 22 from line 21 (Note: if line 22 is greater than or equal to line 21, enter "0")		23	<div><div></div><div></div></div> ,	<div><div></div><div></div></div> ,	<div><div></div><div></div></div> .	<div><div></div><div></div></div> .00
24. Enter tax (full-year resident, enter tax from line 23 - non/part-year resident, enter tax from TC-40B, line 35)		● 24	<div><div></div><div></div></div> ,	<div><div></div><div></div></div> ,	<div><div></div><div></div></div> .	<div><div></div><div></div></div> .00
25. Nonapportionable nonrefundable credits from TC-40A, Part 4 (page 10) (must attach TC-40A)		● 25	<div><div></div><div></div></div> ,	<div><div></div><div></div></div> ,	<div><div></div><div></div></div> .	<div><div></div><div></div></div> .00

These credits are transferred from the TC-40A onto lines 22 and 25 of the return.



# Income Tax

## TC-40A—Apportionable Nonrefundable Credits

There are four *apportionable* nonrefundable credits on Part 3 of the TC-40A this year.

Part 3 - Apportionable Nonrefundable Credits (write the code and amount of each nonrefundable credit, see pages 10 - 12)			
Code		Code	Amount
04 Capital gain transactions credit		• <input type="text"/>	<input type="text"/> , <input type="text"/> , <input type="text"/> .00
18 Retirement tax credit (attach TC-40C).....	• <input type="checkbox"/> Self • <input type="checkbox"/> Spouse	• <input type="text"/>	<input type="text"/> , <input type="text"/> , <input type="text"/> .00
20 Utah Educational Savings Plan (UESP) credit		• <input type="text"/>	<input type="text"/> , <input type="text"/> , <input type="text"/> .00
22 Medical Care Savings Plan (MSA) credit		• <input type="text"/>	<input type="text"/> , <input type="text"/> , <input type="text"/> .00

Three of them are:

- Capital Gain Transactions  
—Subject to the same restrictions as last year
- Utah Educational Savings Plan (UESP)
- Medical Savings Account (MSA)

All of these are 5% of gain, investment, or contribution. There is no carryback or carryover of excess credit.

The fourth *apportionable* nonrefundable credit is the retirement credit. The initial credit is:

- \$450 for those age 65 or over
- \$288 or 6% of retirement income for those under 65 (whichever is less)
  - In this case, the taxpayer must have been born before 1953

This credit is phased out as the deduction/exemption was in prior years.

There is no carryback or carryover of excess credit.

# Income Tax

## *TC-40A—Nonapportionable Nonrefundable Credits*

Two of the credits in Part 4 of the TC-40A have been modified:

- Research activities in Utah are
  - 5% of qualified expenses or
  - 5% of expenses to qualified organization
- Research Machinery or Equipment is
  - 6% of purchase price if used for research or
  - 6% of price if donated to qualified organization

The biggest change is that you may now claim credits in year of qualified expenses.

This means you may claim this credit for both the 2007 and 2008 tax years.

To recap, these are the items converted to credits for 2008 filing:

- Personal exemptions
- Standard or itemized deductions
- Retirement exclusion/deduction
- Medical Savings Account (MSA)
- Utah Educational Savings Plan (UESP)
- Gains on capital transactions

# Income Tax

*Repealed*

These are the items that were repealed and cannot be claimed:

- Disabled dependent exemption
- Half of the federal tax liability
- Health care insurance premiums
- Long-term care insurance premiums
- Adoption expenses



## *Withholding Separation*

32. UTAH TAX WITHHELD (must attach TC-40W, Part 1) (page 14)		<b>UTAH TAX WITHHELD</b>		●	32	<div><div></div><div></div></div> , <div><div></div><div></div><div></div></div> , <div><div></div><div></div><div></div></div> .	<div><div></div><div></div></div> .00
33. Credit for Utah income taxes prepaid (page 14)				●	33	<div><div></div><div></div></div> , <div><div></div><div></div><div></div></div> , <div><div></div><div></div><div></div></div> .	<div><div></div><div></div></div> .00
34. Nonresident shareholder's withholding (page 14) (must attach TC-40W, Part 3)				●	34	<div><div></div><div></div></div> , <div><div></div><div></div><div></div></div> , <div><div></div><div></div><div></div></div> .	<div><div></div><div></div></div> .00
35. Mineral production withholding (page 15) (must attach TC-40W, Part 2)				●	35	<div><div></div><div></div></div> , <div><div></div><div></div><div></div></div> , <div><div></div><div></div><div></div></div> .	<div><div></div><div></div></div> .00

This was done to make withholding reporting easier.

# Income Tax

TC-40W

This year you will copy the information from your withholding documents onto the TC-40W. You no longer have to attach your withholding documents to your return. This will help speed up processing.

Using this form will allow us to capture the data electronically. Eventually we will be able to compare this data to your employer's withholding information.

40089 Part 1 - Utah Withholding Tax Schedule		TC-40W Rev. 12/08
Your last name		Your social security number
<b>Do not send your W-2s or 1099s with your return.</b> Instead, enter the W-2 or 1099 information requested below, if there is Utah withholding on the form. If you have more than four W-2s or 1099s, use additional forms TC-40W, Part 1.		
<b>• A</b> Employer or payer W-2 or 1099 information	<b>• B</b> Employee or taxpayer information from W-2 or 1099	<b>• C</b> Utah withholding tax from W-2 box '17' or 1099
Utah withholding ID number from W-2 box '15' or 1099 <input type="checkbox"/> *X* if 1099 Enter employer or payer ID from W-2 box 'b' or 1099 Enter employer or payer name from W-2 box 'c' or 1099 Address City State Zip	Employee's SSN from box a <input type="checkbox"/> *X* if SSN is for spouse Utah wages from box 16 UT withhold from W-2 box '17'/1099	
Utah withholding ID number from W-2 box '15' or 1099 <input type="checkbox"/> *X* if 1099 Enter employer or payer ID from W-2 box 'b' or 1099 Enter employer or payer name from W-2 box 'c' or 1099 Address City State Zip	Employee's SSN from box a <input type="checkbox"/> Check if SSN is for spouse Utah wages from box 16 UT withhold from W-2 box '17'/1099	
Utah withholding ID number from W-2 box '15' or 1099 <input type="checkbox"/> *X* if 1099 Enter employer or payer ID from W-2 box 'b' or 1099 Enter employer or payer name from W-2 box 'c' or 1099 Address City State Zip	Employee's SSN from box a <input type="checkbox"/> Check if SSN is for spouse Utah wages from box 16 UT withhold from W-2 box '17'/1099	
Utah withholding ID number from W-2 box '15' or 1099 <input type="checkbox"/> *X* if 1099 Enter employer or payer ID from W-2 box 'b' or 1099 Enter employer or payer name from W-2 box 'c' or 1099 Address City State Zip	Employee's SSN from box a <input type="checkbox"/> Check if SSN is for spouse Utah wages from box 16 UT withhold from W-2 box '17'/1099	
Enter total income tax withholding from column C. Enter this total on form TC-40, page 2, line 32.		
Use additional forms TC-40W, Part 1 for additional W-2s and/or 1099s Attach completed schedule to your 2008 Utah income tax return.		

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# Examples

Let's go through a scenario to get a better feel of the single rate and taxpayer tax credit calculations.

# Meet Gale Thompson

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Gale is a 70-year-old retired school teacher.

She is ready to file her 2008 Individual Income taxes.



# Gale's Tax Information

Gale has all her tax information ready to complete her return.



<b>Name</b>	Gale Thompson
<b>Address</b>	3421 Common Street Anytown, UT 84555
<b>Social Security Number</b>	111-12-3456
<b>Phone</b>	801-555-1234
<b>Birth Date</b>	08-22-1938*
<b>Filing Status</b>	Single
<b>Federal Adjusted Gross Income</b>	\$35,000
<b>Standard Deduction</b>	\$6,800*

\*Because Gale is over 65, she:

- Claims a federal standard deduction of \$6,800 (\$5,450 + \$1,350) on her 2008 federal tax return.
- Fills out form TC-40C her to calculate her retirement credit.



# Income Tax Return—Lines 1-3

After entering her personal information on the top of the form, Gale starts with box 1. She notices the filing status order now matches the federal forms. She enters code 1 for her single filing status.

<b>1. Filing status - enter code (page 4)</b>  CODE 1 - Single 2 - Married filing jointly 3 - Married filing separately 4 - Head of household 5 - Qualifying widow(er)  Enter code here <input type="text" value="1"/>  If using code 2 or 3, enter spouse's name and social security number above	<b>2. Exemptions - enter number (page 4)</b>  a <input type="text" value="1"/> Yourself b <input type="text"/> Spouse c <input type="text"/> <input type="text"/> Dependents d <input type="text"/> <input type="text" value="1"/> Total exemptions (add a through c)  From federal return	<b>3. Election campaign fund - enter code (page 4)</b>  CODE C - Constitution D - Democratic L - Libertarian R - Republican N - No contribution  Yourself <input type="text" value="N"/> Spouse <input type="text"/>  Entering a code does not increase your tax or reduce your refund.
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She enters an exemption for herself in box 2a and decides not to contribute to the Election campaign fund.

# Single Rate Tax Calculation

4. Federal adjusted gross income from federal return (see instructions on page 5)	• 4			3	5	0	0	0	.00
5. Additions to income from TC-40A, Part 1 (page 5) (must attach TC-40A)	• 5							0	.00
6. Total income (add lines 4 and 5)	6			3	5	0	0	0	.00
7. Deductions from income from TC-40A, Part 2 (page 5) (must attach TC-40A)	• 7							0	.00
8. Utah taxable income (subtract line 7 from line 6) If less than zero enter zero (page 5)	• 8			3	5	0	0	0	.00
9. Enter "X" if you are a qualified exempt taxpayer (page 10)	• 9								
10. TAX CALCULATION: Multiply line 8 by .05 (5%)	• 10			1	7	5	0	.00	

Gale starts by entering her federal adjusted gross income of \$35,000 on line 4.

- She has no additions to income, so she carries the \$35,000 to line 6 (total income).
- Gale also has no deductions from income, so she carries the \$35,000 to line 8. This is her **Utah taxable income**.
- She skips line 9 since she determined she is not a qualified exempt taxpayer by reviewing page 7 of the TC-40 instructions.
- She multiplies the \$35,000 on line 8 by 5 percent and enters her single rate tax of \$1,750 on line 10.

Now that she has completed the single rate portion of the return, Gale will calculate her taxpayer tax credit.

# New Taxpayer Tax Credit

The taxpayer tax credit is 6 percent of the Utah personal exemption and federal standard or itemized deduction added together. However, the credit phases out at certain income levels depending on filing status.

Gale sees lines 11-16 calculate the initial taxpayer tax credit and lines 17-19 calculate the phase out.

11.	Multiply \$2,625 by line 2d above .....	● 11	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	,	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	,	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	.	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	.00
12.	Enter your <b>federal standard</b> or <b>itemized deductions</b> (see page ??) .....	● 12	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	,	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	,	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	.	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	.00
13.	Add line 11 and line 12 .....	13	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	,	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	,	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	.	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	.00
14.	State income tax deducted as an <b>itemized deduction</b> on federal form 1040, Schedule A, line 5 (page 5) .....	● 14	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	,	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	,	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	.	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	.00
15.	Subtract line 14 from line 13 .....	15	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	,	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	,	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	.	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	.00
16.	Multiply line 15 by .06 (6%) .....	● 16	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	,	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	,	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	.	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	.00
17.	Enter: \$12,000 - if single or married filing separately \$18,000 - if head of household \$24,000 - if married filing jointly or qualifying widow(er)	} ● 17	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	,	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	,	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	.	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	.00
18.	Subtract line 17 from line 8- If less than zero, enter "0" (if line 18 is zero, enter "0" on line 19, then go to line 20) .....	18	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	,	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	,	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	.	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	.00
19.	Multiply line 18 by .013 (1.3%) .....	● 19	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	,	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	,	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	.	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	.00
20.	Taxpayer tax credit (subtract line 19 from line 16) If less than zero enter "0" .....	● 20	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	.	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	.	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	.	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	<div style="border: 1px solid black; width: 20px; height: 20px;"></div>	.00

# Taxpayer Tax Credit Calculation

● 2. Exemptions - enter number (page 4)

a	<input type="text" value="1"/>	Yourself	} From federal return
b	<input type="text"/>	Spouse	
c	<input type="text"/>	Dependents	
d	<input type="text" value="1"/>	Total exemptions (add a through c)	

11. Multiply \$2,625 by line 2d above .....	● 11	<input type="text"/>	<input type="text"/>	,	<input type="text" value="2"/>	<input type="text" value="6"/>	<input type="text" value="2"/>	<input type="text" value="5"/>	<input type="text" value="00"/>
12. Enter your federal standard or itemized deductions (see page ??) .....	● 12	<input type="text"/>	<input type="text"/>	,	<input type="text" value="6"/>	<input type="text" value="8"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="00"/>
13. Add line 11 and line 12 .....	13	<input type="text"/>	<input type="text"/>	,	<input type="text" value="9"/>	<input type="text" value="4"/>	<input type="text" value="2"/>	<input type="text" value="5"/>	<input type="text" value="00"/>
14. State income tax deducted as an itemized deduction on federal form 1040, Schedule A, line 5 (page 5) .....	● 14	<input type="text"/>	<input type="text"/>	,	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="0"/>	<input type="text" value="00"/>
15. Subtract line 14 from line 13 .....	15	<input type="text"/>	<input type="text"/>	,	<input type="text" value="9"/>	<input type="text" value="4"/>	<input type="text" value="2"/>	<input type="text" value="5"/>	<input type="text" value="00"/>
16. Multiply line 15 by .06 (6%) .....	● 16	<input type="text"/>	<input type="text"/>	,	<input type="text"/>	<input type="text" value="5"/>	<input type="text" value="6"/>	<input type="text" value="6"/>	<input type="text" value="00"/>

To calculate the initial taxpayer tax credit, Gale:

- Multiplies her total exemptions from line 2d by \$2,625 (the Utah personal exemption amount). She enters \$2,625 on line 11 since she is only claiming herself.
- Enters her standard deduction amount of \$6,800 from line 12 of her federal return.
- Adds the amounts on lines 11 and 12 and enters \$9,425 on line 13.
- Did not itemize so she does not enter the state income tax deduction on line 14.
- Carries the \$9,425 down from line 13 to line 15.
- Multiplies line 15 by 6 percent ( $\$9,425 \times .06 = \$566$ ).
- Enters that amount of \$566 on line 16. This is her initial **taxpayer tax credit before the phase out**.



# Taxpayer Tax Credit Phase out

16. Multiply line 15 by .06 (6%)	• 16	<input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> , 5 6 6 . 00
17. Enter: \$12,000 - if single or married filing separately \$18,000 - if head of household \$24,000 - if married filing jointly or qualifying widow(er)	• 17	<input type="text"/> <input type="text"/> , 1 2 , 0 0 0 . 00
18. Subtract line 17 from line 8- If less than zero, enter "0" (if line 18 is zero, enter "0" on line 19, then go to line 20)	• 18	<input type="text"/> <input type="text"/> , 2 3 , 0 0 0 . 00
19. Multiply line 18 by .013 (1.3%)	• 19	<input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> , 2 9 9 . 00
20. Taxpayer tax credit (subtract line 19 from line 16) If less than zero enter "0"	• 20	<input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> , 2 6 7 . 00

Line 8:   , 3 5 , 0 0 0 . 00

Now that Gale knows her initial taxpayer tax credit amount, she can calculate the phase out using lines 17-19.

- Since Gale is single, she enters \$12,000 on line 17 and then subtracts that \$12,000 from her \$35,000 Utah taxable income on line 8. She enters \$23,000 on line 18.
- She multiplies the \$23,000 by 1.3 percent and enters \$299 on line 19. This is her phase-out amount.
- After she subtracts \$299 from the \$566 on line 16, she sees her actual taxpayer tax credit is \$267. She enters this amount on line 20.



# Utah Income Tax Amount

<b>10. TAX CALCULATION:</b> Multiply line 8 by .05 (5%)		•10			,				1	,7	5	0	.00
11. Multiply \$2,625 by line 2d above	•11			,			2	,	6	2	5	.	00
12. Enter your <b>federal standard or itemized deductions</b> (see page ??)	•12			,			6	,	8	0	0	.	00
13. Add line 11 and line 12	13			,			9	,	4	2	5	.	00
14. State income tax deducted as an <b>itemized deduction</b> on federal form 1040, Schedule A, line 5 (page 5)	•14			,				,			0	.	00
15. Subtract line 14 from line 13	15			,			9	,	4	2	5	.	00
16. Multiply line 15 by .06 (6%)	•16			,				,	5	6	6	.	00
17. Enter: \$12,000 - if single or married filing separately \$18,000 - if head of household \$24,000 - if married filing jointly or qualifying widow(er) }	•17			,		1	2	,	0	0	0	.	00
18. Subtract line 17 from line 8- If less than zero, enter "0" (if line 18 is zero, enter "0" on line 19, then go to line 20)	18			,		2	3	,	0	0	0	.	00
19. Multiply line 18 by .013 (1.3%)	•19			,				,	2	9	9	.	00
20. Taxpayer tax credit (subtract line 19 from line 16) If less than zero enter "0"	•20			,				,	2	6	7	.	00
21. <b>Utah Income Tax</b> (subtract line 20 from line 10) If less than zero, enter "0"	•21			,			1	,	4	8	3	.	00

Gale subtracts her taxpayer tax credit of \$267 (shown on line 20) from her single rate tax of \$1,750 (shown on line 10) and enters \$1,483 on line 21.

This is her **Utah Income Tax** amount.

# Retirement Credit Schedule (TC-40C)

40087 Retirement Credit Schedule		TC-40C Rev. 12/08	
Your last name		Your social security number	
<b>Part 1 - Taxpayer Information</b>			
1. Date of birth (if born after 1952, you do not qualify for credit) .....		You	Spouse
		mm / dd / yyyy	mm / dd / yyyy
		mm	dd
		yyyy	yyyy
<b>Part 2 - Age 65 or Older - Credit</b>			
2. Check box if you were age 65 or older and born before January 1, 1953 .....		You	Spouse
		<input type="checkbox"/>	<input type="checkbox"/>
3. Enter total number of boxes checked on line 2 .....		3 <input style="width: 50px;" type="text"/>	
4. Multiply the number on line 3 by \$450 .....		4 <input style="width: 50px;" type="text"/> 00	
<b>Part 3 - Under Age 65 - Retirement Income Credit</b>			
5. Check box if you were under age 65 and born before January 1, 1953 .....		You	Spouse
		<input type="checkbox"/>	<input type="checkbox"/>
6. If you checked a box on line 5, enter \$288 in the same column, otherwise enter "0" .....		6 <input style="width: 50px;" type="text"/> 00	6 <input style="width: 50px;" type="text"/> 00
7. Enter total qualified retirement income for column checked on line 5 (see inst.) .....		7 <input style="width: 50px;" type="text"/> 00	7 <input style="width: 50px;" type="text"/> 00
8. Multiply the amount on line 7 for each column by .06 (6%) .....		8 <input style="width: 50px;" type="text"/> 00	8 <input style="width: 50px;" type="text"/> 00
9. Enter the lesser of line 6 or line 8 for each column .....		9 <input style="width: 50px;" type="text"/> 00	9 <input style="width: 50px;" type="text"/> 00
10. Enter total of both columns of line 9 .....		10 <input style="width: 50px;" type="text"/> 00	
<b>Part 4 - Calculation of Credit</b>			
11. Add line 4 and line 10 .....		11 <input style="width: 50px;" type="text"/> 00	
12. Enter total income from your TC-40, line 6 .....		12 <input style="width: 50px;" type="text"/> 00	
13. Enter nontaxable interest received (federal form 1040 or 1040A, line 8b) (see inst.) .....		13 <input style="width: 50px;" type="text"/> 00	
14. Modified adjusted gross income (add line 12 and line 13) .....		14 <input style="width: 50px;" type="text"/> 00	
15. Enter: <div style="display: inline-block; vertical-align: middle;">\$16,000, if married filing separately \$25,000, if single \$32,000, if married filing jointly or qualifying widow(er) \$32,000, if head of household</div> .....		15 <input style="width: 50px;" type="text"/> 00	
16. Subtract line 15 from line 14 - if less than zero, enter "0" .....		16 <input style="width: 50px;" type="text"/> 00	
If line 16 is zero, enter "0" on line 17, then go to line 18			
17. Multiply line 16 by .025 (2.5%) .....		17 <input style="width: 50px;" type="text"/> 00	
18. Retirement Credit -subtract line 17 from line 11 - if less than zero, enter "0" .....		18 <input style="width: 50px;" type="text"/> 00	
Enter this amount on your TC-40A, Part 3, using code 18			

Attach completed schedule to your 2008 Utah income tax return.

Gale has retirement income so she will fill out form TC-40C, *Retirement Credit Schedule*, to figure her credit amount.

# Retirement Credit Schedule (TC-40C)

Part 1 - Taxpayer Information		You	Spouse
1. Date of birth (if born after 1952, you do not qualify for credit) .....	1	08 / 22 / 1938 <small>mm dd yyyy</small>	mm / dd / yyyy
Part 2 - Age 65 or Older - Credit		You	Spouse
2. Check box if you were age 65 or older and born before January 1, 1953 .....	2	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. Enter total number of boxes checked on line 2 .....	3	1	
4. Multiply the number on line 3 by \$450 .....	4	450 00	
Part 3 - Under Age 65 - Retirement Income Credit		You	Spouse
5. Check box if you were under age 65 and born before January 1, 1953 .....	5	<input type="checkbox"/>	<input type="checkbox"/>
6. If you checked a box on line 5, enter \$288 in the same column, otherwise enter "0" .....	6	00	00
7. Enter total qualified retirement income for column checked on line 5 (see inst.) .....	7	00	00
8. Multiply the amount on line 7 for each column by .06 (6%) .....	8	00	00
9. Enter the lesser of line 6 or line 8 for each column .....	9	00	00
10. Enter total of both columns of line 9 .....	10	00	

She starts by entering her birth date on line 1 (August 22, 1938). Because she is over 65, she fills out part 2 by:

- Checking the box for herself on line 2
- Entering the number of boxes she checked on line 3 (1)
- Multiplying the number of boxes checked by \$450.
- She enters \$450 on line 4.

Since part 3 is only for taxpayers under age 65, she skips to Part 4 to calculate the retirement credit.

# Retirement Credit Calculation—Lines 11-14

## Part 4 - Calculation of Credit

11. Add line 4 and line 10 .....	11	450	00
12. Enter total income from your TC-40, line 6 .....	12	35000	00
13. Enter nontaxable interest received (federal form 1040 or 1040A, line 8b) (see inst.) ....	13	0	00
14. Modified adjusted gross income (add line 12 and line 13) .....	14	35000	00

She enters:

- The \$450 from line 4 on line 11
- Her total income of \$35,000 from line 6 of her TC-40 return on line 12

Because she has no nontaxable interest on her federal form, she enters 0 on line 13 and brings down the \$35,000 to line 14. This is her **modified adjusted gross income**.



# Retirement Credit Calculation—Lines 15-18

Part 4 - Calculation of Credit		
11. Add line 4 and line 10 .....	11	450 00
12. Enter total income from your TC-40, line 6 .....	12	35 000 00
13. Enter nontaxable interest received (federal form 1040 or 1040A, line 8b) (see inst.) .....	13	0 00
14. Modified adjusted gross income (add line 12 and line 13) .....	14	35 000 00
15. Enter:    \$16,000, if married filing separately \$25,000, if single \$32,000, if married filing jointly or qualifying widow(er) \$32,000, if head of household	15	25 000 00
16. Subtract line 15 from line 14 - If less than zero, enter "0" If line 16 is zero, enter "0" on line 17, then go to line 18	16	10 000 00
17. Multiply line 16 by .025 (2.5%) .....	17	250 00
18. Retirement Credit -subtract line 17 from line 11 - If less than zero, enter "0" Enter this amount on your TC-40A, Part 3, using code 18	18	200 00

The retirement credit phases out at certain income levels depending on filing status. Since Gale is single, she enters \$25,000 on line 15. She:

- Subtracts line 15 from her modified adjusted gross income on line 14 and enters \$10,000 on line 16.
- Multiplies the \$10,000 on line 16 by 2.5 percent and enters \$250 on line 17.
- Subtracts \$250 on line 17 from the \$450 on line 11 and enters \$200 on line 18. This is the amount of her **retirement credit**.



# Income Tax Supplemental Schedule (TC-40A)

40083		<b>Income Tax Supplemental Schedule</b>		<b>TC-40A</b> Rev. 12/08	
Your last name <b>Thompson</b>			Your social security number <b>111-12-3456</b>		
<b>Part 1 - Additions to Income</b> (write the code and amount of each addition to income, see pages 5 and 6)					
<b>Code</b>	<b>Code</b>	<b>Code</b>	<b>Amount</b>		
51 Lump sum distribution	57 Municipal bond interest	• <input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
53 Medical Savings Account (MSA) addback *	60 Untaxed income of a resident trust	• <input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
54 Utah Educational Savings Plan (UESP) addback *	61 Untaxed income of a nonresident trust	• <input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
55 Reimbursed adoption expenses *	69 Equitable adjustments - attach explanation	• <input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
56 Child's income excluded from parent's return		• <input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
* To the extent previously deducted from Utah income		• <input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Total additions to income (add all additions to income and enter total here and on TC-40, line 5)			<input type="text"/>	<input type="text"/>	<input type="text"/>
<b>Part 2 - Deductions from Income</b> (write the code and amount of each deduction from income, see pages 5 and 6)					
<b>Code</b>	<b>Code</b>	<b>Code</b>	<b>Amount</b>		
71 Interest from U. S. Government Obligations	78 Railroad retirement income	• <input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
77 Native American income	79 Equitable adjustments - attach explanation	• <input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
• Your enrollment number	80 State tax refund included on 1040, line 10	• <input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	82 Nonresident active duty military pay	• <input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
• Spouse's enrollment number	85 State tax refund distributed to beneficiary	• <input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>		• <input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Total deductions from income (add all deductions and enter total here and on TC-40, line 7)			<input type="text"/>	<input type="text"/>	<input type="text"/>
<b>Part 3 - Apportionable Nonrefundable Credits</b> (write the code and amount of each nonrefundable credit, see pages 10 - 12)					
<b>Code</b>	<b>Code</b>	<b>Code</b>	<b>Amount</b>		
04 Capital gain transactions credit	Check box if you or spouse are age 65 or older	• <input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
18 Retirement tax credit (attach TC-40C)	• <input checked="" type="checkbox"/> Self • <input type="checkbox"/> Spouse	• <input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
20 Utah Educational Savings Plan (UESP) credit		• <input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
22 Medical Care Savings Plan (MSA) credit		• <input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Total apportionable nonrefundable credits (add all credits and enter total here and on TC-40, line 22)			<input type="text"/>	<input type="text"/>	<input type="text"/>

She transfers the \$200 retirement credit from her TC-40C to Part 3 of her TC-40A using code 18. She attaches both forms to her return.

# Utah Income Tax Liability

21. Utah Income Tax (subtract line 20 from line 10) If less than zero, enter "0" _____ • 21	<input type="text"/>	<input type="text"/>	<input type="text"/>	1	4	8	3	.	00
22. Apportionable nonrefundable credits from TC-40A, Part 3 (page 10) (must attach TC-40A) _____ • 22	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	2	0	0	.	00
23. Subtract line 22 from line 21 (Note: if line 22 is greater than or equal to line 21, enter "0") _____ 23	<input type="text"/>	<input type="text"/>	<input type="text"/>	1	2	8	3	.	00

Gale totals Part 3 of her TC-40A and carries the total (\$200 retirement credit) to line 22 of her return.

She subtracts that amount on line 22 from her Utah Income Tax on line 21 to get her **Utah tax liability** amount of \$1,283 on line 23.

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# Electronic

There are some additional electronic updates to help you understand the tax changes this year.

- [Incometax.utah.gov](http://Incometax.utah.gov) has both the 2007 and 2008 information (rather than just replacing the 2007 with 2008 instructions).
- There is a link to the income tax scenario in this tutorial at [incometax.utah.gov](http://incometax.utah.gov) as well as [tax.utah.gov/training](http://tax.utah.gov/training).
- Coming soon—Taxpayers filing electronic income tax returns for the **2009 filing year** will be able to pay their tax using ACH debit requests (no fee).

# paymentexpress.utah.gov

Just a reminder that you can use PaymentExpress to pay your income tax. However, there are a few restrictions:

- Payment amounts
  - \$1 to \$999,999
- e-Check (checking or savings)
  - \$1 per direct debit
- Credit card
  - American Express
  - Discover
  - MasterCard

The screenshot shows the Utah PaymentExpress website. At the top, it says "UTAH PAYMENT EXPRESS A SERVICE OF UTAH.GOV". Below this, there's a "Welcome to PaymentExpress" section with a list of 4 easy steps to pay taxes online. To the left of the main content area is a sidebar with links: "Frequently Asked Questions", "Feedback", "Troubleshooting", "Penalty and Interest Calculator", "Tax Commission Home", and "Exit Payment Express". Below the steps, there's a "Withholding" dropdown menu and a "Submit" button. A yellow box contains a disclaimer: "PaymentExpress is only for the payment of taxes and other amounts due. Be sure to file any tax return separately (for example, withholding tax) if one is required. EFT filers please see [FAQ's](#). You will not be able to make 2009 withholding and royalty withholding tax payments using PaymentExpress until February 18, 2009." At the bottom, there are links for "Utah.gov Home", "Utah.gov Terms of Use", "Utah.gov Privacy Policy", and "Utah.gov Accessibility Policy", along with a copyright notice for 2007.

Credit Card Fees	
Tax Amount	Fee
\$1-\$50	\$1
\$51-\$100	\$2
\$101-\$150	\$4
\$151-\$200	\$6
\$201-\$250	\$7
etc.	



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# Interest and Penalties

# Interest & Penalties

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In case you were not aware, the interest rate is 5 percent for 2009

—Decreased from 7 percent the last two years

Also, Income tax penalties changed to a graduated structure in 2008 as follows:

Days Late	Greater of:
1 through 5	\$20 or 2%
6 through 15	\$20 or 5%
16 or more	\$20 or 10%

See *Publication 58—Interest and Penalties* for more information.

# Legislation

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These are the bills that were passed to give us the changes discussed in this tutorial.

- HB 52      Research Activities Tax Credits
- HB 359     Tax Changes
- SB 11      Utah Venture Capital Enhancement Act
- SB 136     Apportionment of Business Income
- SB 137     Mineral Production Tax Withholding
- SB 185     Economic Incentive Revisions

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# Questions?

Thank you for taking the time to view this tutorial. Please let us know if you have any questions or suggestions.

*Taxpayer Services Education Coordinator*

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